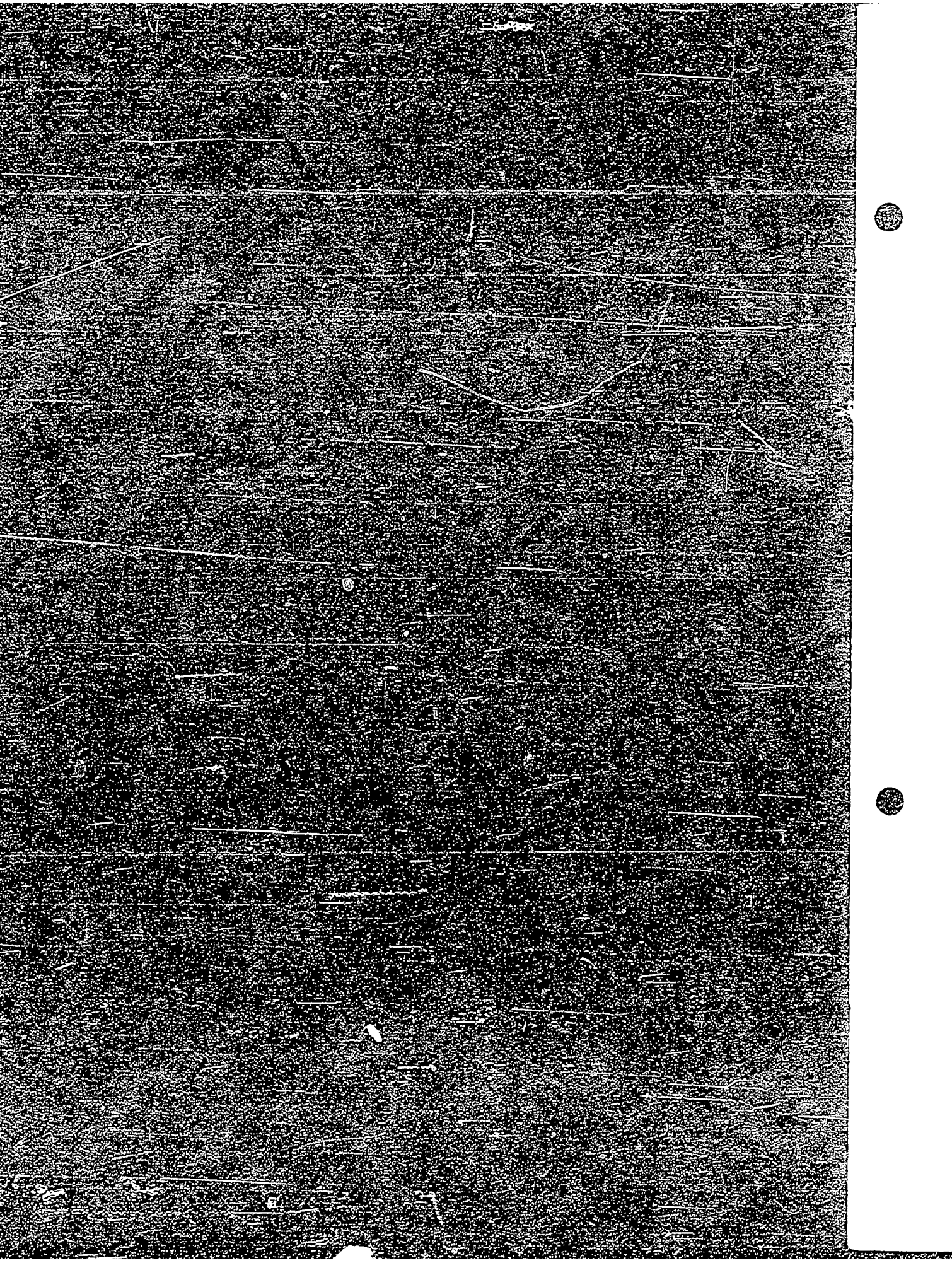
United Drug Company Annual Report -- 1911
America's Corporate Foundation; 1911; ProQuest Historical Annual Reports
pg. 0_1



Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

UNITED DRUG COMPANY

ORGANIZATION, ETC.

OFFICERS

LOUIS K. LIGGETT, *President*
LOUIS I. SCHREINER, *Vice-President*
JAMES C. BRADY, *Vice-President*
FRED S. ROGERS, *Vice-President*
JAMES C. McCORMICK, *Treasurer*
CHARLES E. MURNAN, *Secretary*

DIRECTORS

William C. Bolton, Brooklyn, N. Y.
Byron M. Hyde, Rochester, N. Y.
James C. Brady, Fall River, Mass.
Walter A. May, Pittsburg, Pa.
Thomas H. Brannen, Atlanta, Ga.
E. R. Petty, Newark, N. J.
W. M. Federman, Kansas City, Mo.
Fred S. Rogers, Middletown, N. Y.
E. L. Scholtz, Denver, Col.
T. P. Taylor, Louisville, Ky.
Thomas Voegeli, Minneapolis, Minn.
Louis K. Liggett, Boston, Mass.
George W. Bence, Boston, Mass.
James C. McCormick, Boston, Mass.
Louis I. Schreiner, Boston, Mass.

Mr. Schreiner elected to the Board in place of Mr. Charles E. Ball of Holyoke, Mass., who died January 2, 1911.

CORPORATION COUNSEL

Jones Fuller, Esq.
and
Gaston, Snow & Saltonstall, Shawmut Bank Building, Boston, Mass.

STOCK TRANSFER AGENTS

American Trust Co., 50 State St., Boston, Mass.

GENERAL OFFICES

43 Leon St., Boston, Mass.

BRANCH DISTRIBUTING POINTS

Chicago, Ill., 25 East South Water St.
St. Louis, Mo., 16th & Pine Sts.
San Francisco, Cal., 611 Mission St.
Atlanta, Ga., 184 Marietta St.

CANADIAN COMPANY

(Separate Corporate Organization)

UNITED DRUG COMPANY Limited

Lake & Bay Sts., Toronto, Ont.

No 1910 report published, [illegible]

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

ANNUAL REPORT
UNITED DRUG COMPANY

43 Leon St., Boston, Mass.,
October 2, 1911.

To the Stockholders of United Drug Company:

I submit herewith, as President and General Manager of your Companies, a statistical report of our business for the fiscal year ending June 30, 1911.

I may say at the outset that we operate two general companies here—the United Drug Co. of New Jersey and the United Drug Co. of Massachusetts.

We started a plan of reorganization this Spring, with a view to replacing the old New Jersey Company with a Massachusetts corporation. The details of the reorganization have not yet been fully completed, and on that account both companies exist at this time as separate corporate organizations. The Massachusetts Company is the holding company—owing nearly every share of the capital stock in the New Jersey Company, and the New Jersey Company operates as the merchandising company.

Inasmuch, therefore, as it is the New Jersey Company which owns the trading assets and is the company which is actively engaged in buying and selling of merchandise until the details of the reorganization can be fully completed, the figures which I will use in this pamphlet refer altogether to the books and records of that company.

Necessarily these figures must come to the attention of the Massachusetts Company stockholders because the ownership of the New Jersey Company represents the bulk of the net worth of the Massachusetts Company.

I may add, incidentally, that on July 1, outside of its ownership of nearly all of the capital stock in the New Jersey Company, the Massachusetts Corporation shows in its balance sheet other quick assets such as cash, accounts receivable, notes receivable, etc., amounting in all to $191,490.89 against which there is no indebtedness whatever.

As a basis for my report, I would refer you to pages 8 and 9 of this booklet showing trial balance as of June 30, 1911, drawn from the New Jersey Company's books, by the well-known Boston Public Accountants, Messrs. Harvey S. Chase & Co., together with letter from them approving the balance sheet.

I might call your attention, too, to certain points which stand out prominently in connection with the balance sheet, as follows:

Plant, Real Estate, and Equipment The Company's plant, real estate and machinery equipment is valued on the basis of cost price at $596,916.24, and is encumbered only by a small mortgage of $50,000.00. It is the intention of the Company to pay off this mortgage when it matures in July, 1912. In the meantime, we are increasing our factory

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

space by the addition of other new buildings, so that I believe it is safe to say when the present mortgage is cleared, we will show a plant and real estate valuation, unencumbered in any way, of nearly a million dollars.

In our plant equipment, there is included one of the finest and largest candy factories in the country, a laboratory for the making of our drug products, which has been pronounced as of the best, the most modern and up-to-date perfumery laboratory that can well be conceived, a stationery plant, storehouses, jobbing and distributing building, an administration building in keeping with the rest of the equipment, power house and lighting and refrigeration plant, etc.

Insurance All of our buildings and equipment, raw materials, stock in process, and finished goods are covered by fire insurance under blanket policy to 90% of the total valuation.

Net Quick Assets It will be noted from the auditors' balance sheet that the Company owns quick assets of $1,655,747.48. Against this the Company owes in accounts payable and notes payable the sum of $444,630.97. Deducting these liabilities from the quick assets gives the Company a net quick worth, comprising cash and notes due us, stocks and bonds, stock of finished goods and raw materials on hand, of $1,211,116.31. This amount of net quick assets must be placed to our credit entirely outside of the plant valuation figure referred to in the first paragraph. It will be noted that we show $3.72 of quick asset for every single dollar of quick liability. Usually speaking, a balance sheet which shows even $2.00 of quick asset for $1.00 of liability is considered very strong.

Our accounts and notes receivable are due altogether from customers. There are absolutely no accounts due from officers or others in the employ of the Company.

I would call your attention especially to the statement of the examining auditors in their letter to the effect that it is their firm belief that the figure shown in our balance sheet for accounts and notes receivable is an absolutely realizable value.

Our Merchandise Inventory is figured strictly at present cost valuation. I mean by present cost valuation, that when the inventory is figured, the prices for the various raw materials used in the calculation are the market prices at that time when the inventory is taken. There is no item of dead stock in the figure for the reason that if we had any item in the inventory of a year ago that appeared on the list of this year, it was marked "dead stock" and not figured in the valuation at all.

The Stocks and Bonds figure comprises investments in retail stores and other interests and they are easily worth the cost valuation at which they have been figured. The book value and actual earning power of these stocks would seem to indicate even a larger figure of worth than we have placed upon these investments.

Other Assets include insurance, taxes, store rentals, etc., paid in advance, $44,198.40.

Formulæ and trade mark are carried on our books as $314,145.74. This figure is not presumed to have any reference to the real value of our trade names. It is a figure which is made up of two amounts. First, the sum of $140,000.00 as representing the price (in capital stock issue) paid by vote of our Board of Directors on November 5, 1902, to the organizers

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

of the Company in consideration of formulæ turned over at that time by the founders of the Company; and second, the balance of $174,145.74. This last portion of the sum total is the loss which the Company sustained in the first two years of its career and before the business developed a profit-paying basis. During these first two years the Company had expended large sums of money on a successful advertising campaign, with the result that from the third year on, the trade names of the Company's products had been placed well in the minds of the American public as being indicative of the best and worthiest list of real-merit drug store requisites, and from then on from year to year the business has shown a splendid profit sheet. Our Board of Directors believed that the loss of these first two years of business should be charged to trade-mark valuation. It is a fact, however, that though the Board are fully aware of the value of these trade marks, they have decided that it is best for the purposes of a banking statement to gradually reduce each year the present figure in the balance sheet so that within a few years it will be entirely wiped off our books.

I might add that the Company has protected its trade-mark rights very carefully and has, at considerable expense and by the employment of the best legal talent, carried on successfully in the past year litigation as to the validity of one of our principal trade names. All of this expense has been charged directly to the expense account of the year and has not been set up as additional trade-mark valuation.

Some of our trade names most familiar to the public are "Rexall" Remedies and Toilet Articles; "Harmony" and "Intense" Perfumes; "Liggetts," "Fenway," and "Saturday" Candies; "Liggetts Orangeade," and fruit syrups; Symphony Lawn" stationery and papeteries.

Accounts Payable We discount all of our purchase bills for supplies and in consequence our Accounts Payable consist only of bills for supplies, advertising, etc., not due even on a ten-day basis.

Notes Payable We have seen fit from time to time to use the accommodation of our own banks and note brokers to a limited and conservative extent. Whenever so desired, our paper has been sold through the well-known house of F. S. Moseley & Co., Boston, New York and Chicago.

Contingent Liability The Company name is not endorsed on the paper of any other corporation, firm or individual. We have no contingent liability whatever.

Banks We Do Business With The Company, on account of the country-wide distribution of its branches and its patrons, has made connection with several banks as depositories throughout the country. The following is a list of our banks:

American Trust Co., Boston	New Netherland Bank, New York
National Shawmut Bank, Boston	Continental & Commercial National Bank, Chicago
National Rockland Bank, Boston	National Bank of Commerce, St. Louis
National Park Bank, New York	Bank of Montreal, Toronto

Surplus Our surplus of $776,229.62 represents accumulated and undivided profits. The Board of Directors have settled upon a deliberate and careful policy with regard to dividend disbursements. They have never declared dividends of more than 12% in any one year on Common Stock. The Preferred Stock dividend is 7% cumulative and has been paid in full since the inception of the business.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Reserve Our reserve figure of $55,147.07 is made up of a charge-off from machinery account amounting to 1% each month. We charge into expense for depreciation of machinery that amount each month, or 12% per annum, so that in eight years and four months, the cost of any machine in our equipment will have been wiped off our books, for we figure that the life of machinery and utensils does not exceed that term. Furthermore, in addition to the depreciation expense, we charge all machinery repairs to expense rather than add the repair cost to the machinery valuation, and it is part of our policy that if a machine breaks down and has to be replaced by a duplicate new machine or an improved new machine, the cost of the said new machine is also charged to expense.

Earnings Earnings for the year ending June 30, 1911, $360,223.84.

Dividends Dividends paid during the year, $98,651.73.

Sales Sales of goods from our factories by years since the inception of the business:

1903	$ 61,777.44
1904	324,564.68
1905	418,084.86
1906	606,453.90
1907	1,014,619.56
1908	913,608.37 (Fiscal period 10 months)
1909	1,389,319.73
1910	2,115,839.74
1911	2,839,328.91

The above figures represent only the business done by the United Drug Co. The retail and other manufacturing business controlled by us did an aggregate of about $4,000,000.00 more, bringing the business operated by the United Drug Co. to a total of about $6,800,000, but in our earning statement we show only the profits derived from the $2,839,328.91 sales. From figures now before me showing the selling operations of all of our interests for the first three months of the present fiscal year up to October 1, it would seem that our total output in goods sold this coming year, both from our factories and from retail stores and other channels under our control, will foot up between $9,000,000.00 and $10,000,000.00.

The Company's Attitude Toward the Trade and the Public Permit me to say in conclusion that the business of United Drug Co. as shown in these figures has been built up altogether in the short space of barely nine years. More than all else that has tended to bring about the success of the business, the large volume of its output, and the standing which it enjoys at the present time in the trade, has been the unvarying loyalty which the officers and management of the Company and every one of its employees have given to fair and square dealing. We have dealt fairly and squarely and honestly with our stockholders, our financial connections and with the two great arteries of output, the retailer and the public (the fellows who put the goods onto their shelves, and the fellows who take them off again for them). In every department of our business this element of fairness predominates. We make all of our goods of the best and worthiest materials that

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

we can get. We treat our customers with uniform courtesy. John A. Jones of Columbus, Wis. (I happen to note his name on a register of visitors before me) is given the same terms as regards prices and discounts on his purchases in that small town as the Owl Drug Co. of California who buy goods of us by the carload.

Our products and our prices are right.
We treat retailers and the public right.
In consequence the retailers and the public are loyal to us;
And this policy will be maintained, and even strengthened if possible.

Respectfully submitted,

President.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Harvey S. Chase & Company

CERTIFIED PUBLIC ACCOUNTANTS

84 STATE STREET, BOSTON

August 30, 1911.

Louis K. Liggett, Pres.,
United Drug Co.,
Boston, Mass.

Dear Sir:

We submit herewith the Consolidated Trial Balance Sheet of United Drug Co. and subsidiary companies as of June 30, 1911.

We have been employed by you and the Directors of the Company each year since the Company was founded to examine its acccounts, and during the past year, as in all previous years, we have given careful attention to the work, verifying in full detail all the transactions of the Treasurer's office, and also have carefully considered the methods of the taking of the Company's inventories. As a result of our examination, we take pleasure in saying that it is our opinion that in all the departments of the business routine, the work has been handled carefully, conscientiously and accurately.

We certify that the Accounts and Notes Receivable include no balances against officers or others in the employ of the Company for personal loans, and it is our belief that the amount of Accounts and Notes Receivable shown in the balance sheet represents their actual realizable value.

Respectfully submitted,
HARVEY S. CHASE & COMPANY,
Certified Public Accountants.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

United Drug Company and Subsidiary Companies

CONSOLIDATED BALANCE SHEET

JUNE 30, 1911

Cash	$102,469.11	Accounts Payable	$ 89,630.97
Accounts Receivable	593,005.79	Notes Payable	355,000.00
Notes Receivable	92,414.81		
Stock Installments Receivable	5,650.00		
Merchandise Inventories	637,484.65		
Stocks and Bonds	224,722.92		
	$1,655,747.28		$ 444,630.97
Plant and Real Estate	400,038.88	Mortgage	50,000.00
Furniture, Utensils and Machinery	196,877.36	Capital Stock	1,285,000.00
Advances	35,842.46	Surplus	776,229.62
Suspense	8,355.94	Reserve	55,147.07
Formula and Trade Mark	314,145.74		
	$2,611,007.66		$2,611,007.66

(Signed) HARVEY S. CHASE & COMPANY, C. P. A.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Schedule of United Drug Company's Buildings

A. General Laboratory. Manufacture of liquid preparations and mixing of crude drugs, syrups, tonics and elixirs. Rooms for the manufacture of laxatives and salts, headache and Seidlitz powders, etc. Bottle washing plant. General shipping floor.	21,000 sq. ft.
B. Manufacture of pastes, salves and powders put out in jars and tins, such as cold creams, tooth pastes, tooth powders, shampoo paste and other toilet articles. Analytical chemist's office. General finished stock room.	50,000 sq. ft.
C. Power house and lighting and refrigeration plant.	5,000 sq. ft.
D. Perfumery Laboratory. Extracts, toilet waters, liquid soaps, rouges, sachets, nail polishes, etc.	30,000 sq. ft.
E. Manufacture of powders and tablets, toilet and medicinal—talcum powders, face powders, foot powders, licorice powders, sugar of milk, etc. Dyspepsia tablets, bronchial tablets, charcoal tablets, soda mint tablets, etc. A floor for the manufacture of paper boxes for the output of all factories. Chemical stock room. Two floors for the assembling and shipping of our output of stationery and writing papers.	36,000 sq. ft.
F. Printing plant, comprising 22 presses. Dining room and locker rooms for employees. Timekeeper's and paymaster's office. Storage and shipping of our output of fruit syrups, orangeade, etc.	60,000 sq. ft.
G. Administration and office building, including Directors' Room, Offices of President, Vice-President, Treasurer, Secretary and Sales Manager, Advertising Department, Accounting Department, Factory Cost Offices, Purchasing Agent's Office, Telephone and Telegraph Rooms, and Factory Manager's Offices.	15,000 sq. ft.
H. New candy factory in the North End of Boston. One of the largest candy factories in this country. Built especially for this Company on lease for a long term of years.	112,000 sq. ft.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

I. Chicago Branch Distributing Point.
Located at 25 East South Water St., Chicago. This building comprises five floors and to it goods are shipped from our factories for distribution. In some seasons of the year, four solid carloads per week of our product have been shipped to this point. 30,000 sq. ft.

J. Plant of United Drug. Co., Ltd., Toronto, Ont.
A modern factory, producing a general line of our goods along the same lines that we operate in Boston. 24,000 sq. ft.

K. Distributing Point at Atlanta, Ga.
Established this year largely for the purpose of supplying the Southeastern trade with those lines of our products which are perishable, such as candies, etc., from cold storage warehouse. 4,000 sq. ft.

L. St. Louis Distributing Point.
A building comprising four floors and basement. Recently rented for placing our product within convenient distance of Southwestern druggists in the states of Missouri, Texas, Oklahoma, etc. 28,000 sq. ft.

The foregoing buildings comprise a total area of more than nine acres of floor space.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.